

**STATE OF INDIANA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL AND GAS**

**ORDER OF INTEGRATION**

Re: Application of Southern Triangle Oil Company

) Case No.: DOG-01-2015

For the integration of oil and gas interests owned by Mary Ann )  
Pell, Laura Benson Estate, Jacob M. Hirsch, Perry Sweppy, Jr., )  
and Wiper Corporation, into the Scott Branch Unit located in )  
Part of Section 27, Township 2 South, Range 12 West, Gibson  
County, Indiana

As provided in Indiana Code 14-37-3-16, an informal hearing was held via teleconference in this matter on Tuesday, February 24, 2015, beginning at 11:30 A.M., Eastern Time, before the Indiana Department of Natural Resources (IDNR), Division of Oil and Gas (Division), at the Indianapolis Office of the Division located at 402 West Washington Street, Room W293, in Indianapolis, IN 46204. The purpose of the informal hearing was to consider the Petition for Integration of Interests (Application) for the above described parcels specifically identified in a petition dated January 5, 2015, prepared by William C. Illingworth, Basin Law Group LLP, on behalf of Southern Triangle Oil Company, hereinafter referred to as "Applicant".

Having reviewed the entire record in this matter, and being duly advised, the Director of the Division (Director) makes the following Findings of Fact, Conclusions of Law and Order of Integration in this matter:

**FINDINGS OF FACT**

1. Applicant Southern Triangle Oil Company is an Illinois corporation whose principal address is 600 Chestnut Street, P.O. Box 427, Mount Carmel, Illinois, 62863.
2. Applicant has represented that it is the operator of certain oil and gas leases covering the following properties located in Gibson County, Indiana:
  - a. Tract 1 - The Southeast Quarter (SE/4) of the Northwest Quarter (NW/4) of Section 27, Township 2 South Range 12 West., Gibson County, Indiana.
  - b. Tract 2 - The North Half (N/2) of the Southwest Quarter (SW/4) and .37 of an acre in the Southwest Corner (SW/C) of the Northwest Quarter (NW/4) of the Southeast Quarter (SE/4) of Section 27, Township 2 South, Range 12 West, Gibson County, Indiana.
  - c. Tract 3 - The West Half (W/2) of the Southeast Quarter (SE/4) except .37 of an acre in the Southwest Corner (SW/C) of the Northwest Quarter of (NW/4) of the Southeast Quarter (SE/4) in Section 27, Township 2 South, Range 12 West, Gibson County, Indiana.
  - d. Tract 4 - The West Half (W/2) of the Northeast Quarter (NE/4) of Section 27, Township 2 South, Range 12 West, the West Half (W/2) of the West Half (W/2) of the Southeast Quarter (SE/4) of the Northeast Quarter (NE/4) containing approximately 9.5 acres, and approximately 1.5 acres located in the Northwest Corner (NE/C) of the Northeast Quarter (NE/4) of the Southeast Quarter (SE/4), Gibson County, Indiana.

- e. Tract 5 - The East Half (E/2) of the West Half (W/2) of the Southeast Quarter (SE/4) of the Northeast Quarter (NE/4) containing approximately 9.5 acres, and part of the North Half (N/2) of the Northeast Quarter (NE/4) of the Southeast Quarter (SE/4), of Section 27, Township 2 South, Range 12 West, Gibson County, Indiana.
3. Applicant is currently operating certain wells on the lands which are the subject of the Application and has produced those wells by primary production. Applicant believes that such primary production has resulted in the delineation of a pool suitable for secondary recovery within the meaning of IC 14-37-9-1.
4. The Division finds that the lands subject to the Application are suitable for secondary recovery from the surface to the base of the Aux Vases Sand.
5. Applicant has proposed the voluntary establishment of a waterflood unit agreement covering the secondary recovery pool to be known as the Scott Branch Unit, hereinafter "Unit".
6. Applicant has been successful in securing agreement to the pooling of interests from all working interest owners, royalty interest owners and overriding royalty owners of the oil and gas interests, with the exception of the following:

Name	Interest
Mary Ann Pell 9178 W. 350 S. Owensville, IN 47665	0.01218700 RI in Tract 2
Laura Benson Estate Regency Villa 1600 Via De Luna, Apt. W Pensacola, FL 32561	0.00402400 RI in Tract 1 0.00726300 RI in Tract 2
Jacob M. Hirsch 5812 S. 325 W. Fort Branch, IN 47648	0.00635900 RI in Tract 2
Perry Sweppy, Jr. 82 Weatherstone Pky Marietta, GA 30068	0.00981200 RI in Tract 1
Wiper Corporation 17962 Foxborough Ln. Boca Raton, FL 33496	0.00205300 ORRI in Tract 4

7. The proposed Pooling Agreement for the Scott Branch Unit would treat all royalty, working interest and overriding royalty interest owners fairly and equitably with each such interest sharing in the total production from the pooled unit in proportion to which their interest bears to the entirety of the unit. Proposed participation factors are as follows:

Tract 1, The Southeast Quarter (SE/4) of the Northwest Quarter (NW/4) of Section 27, Township 2 South Range 12 West., Gibson County, Indiana.	38.2193%
Tract 2, The North Half (N/2) of the Southwest Quarter (SW/4) and .37 of an acre in the Southwest Corner (SW/C) of the Northwest Quarter (NW/4) of the Southeast Quarter (SE/4) of Section 27,	12.3990%

Township 2 South, Range 12 West, Gibson County, Indiana.	
Tract 3, The West Half (W/2) of the Southeast Quarter (SE/4) except .37 of an acre in the Southwest Corner (SW/C) of the Northwest Quarter of (NW/4) of the Southeast Quarter (SE/4) in Section 27, Township 2 South, Range 12 West, Gibson County, Indiana.	5.2993%
Tract 4, The West Half (W/2) of the Northeast Quarter (NE/4) of Section 27, Township 2 South, Range 12 West, the West Half (W/2) of the West Half (W/2) of the Southeast Quarter (SE/4) of the Northeast Quarter (NE/4) containing approximately 9.5 acres, and approximately 1.5 acres located in the Northwest Corner (NE/C) of the Northeast Quarter (NE/4) of the Southeast Quarter (SE/4), Gibson County, Indiana.	42.7671%
Tract 5, The East Half (E/2) of the West Half (W/2) of the Southeast Quarter (SE/4) of the Northeast Quarter (NE/4) containing approximately 9.5 acres, and part of the North Half (N/2) of the Northeast Quarter (NE/4) of the Southeast Quarter (SE/4), of Section 27, Township 2 South, Range 12 West, Gibson County, Indiana.	1.3153%

8. Except for the interests of Mary Ann Pell, Laura Benson Estate, Jacob M. Hirsch, Perry Sweppy Jr. and Wiper Corporation, all other owners of oil and gas interests within the proposed pooled unit have voluntarily agreed to integrate their interests in the production that will result from secondary recovery operations within the unit according to tract participation factors proposed by the Applicant.
9. The Applicant represents that it utilized generally accepted petroleum engineering principles when it developed proposed tract participation factors regarding the allocation of production from secondary recovery production operations to be conducted within the Unit. The specific factors utilized for each of the lease areas and their respective weighting factors were as follows:
  - a. Weighted reservoir volume (Productive Renault sand and Aux Vases Lime wells) – 50%
  - b. Weighted cumulative production (total produced barrels from Dec. 2000) – 25%
  - c. Weighted average daily production (Jan. 1996 – Dec. 2000) – 25%
10. IC 14-37-9-1(b) requires that, where owners of separate tracts within a pool or part of a pool suitable for secondary recovery methods do not agree to integrate their interests, the IDNR shall require the owners to integrate their interest in order to prevent waste or the drilling of unnecessary wells and to develop the land as a drilling unit.
11. IC 14-37-9-2 requires that an order for integration must be based upon reasonable terms that give the owner of each tract an equitable share of oil and natural gas in the unit or pool.
12. The Petition filed in this matter by the Applicant seeks, pursuant to IC 14-37-9, the issuance of an integration

order whereby the interests of all owners of separate tracts within the proposed waterflood unit are integrated and the combined leases developed as a consolidated production unit.

13. The Applicant attached the following documents to its Petition:

Exhibit A	Least and Tract Descriptions
Exhibit B	Copies of Individual Leases
Exhibit C	Ad Valorem Statement from Countrymark Refining & Logistics LLC (Tract 1)
Exhibit D	Ad Valorem Statement from Countrymark Refining & Logistics LLC (Tract 2)
Exhibit E	Ad Valorem Statement from Countrymark Refining & Logistics LLC (Tract 3)
Exhibit F	Ad Valorem Statement from Countrymark Refining & Logistics LLC (Tract 4)
Exhibit G	Sample of proposed unit pooling agreement
Exhibit H	Attempted contact made to interest owners

14. On January 15, 2015, a notice of the informal hearing on this matter was sent to via first class mail to the address indicated in Finding #6. Will Illingworth, counsel for the Applicant, was emailed a copy of the notice on the same date.

15. The following persons were present at or participated in the informal hearing via teleconference held in Indianapolis on February 25, 2015:

<u>Person</u>	<u>Representing</u>
Herschel McDivitt	Indiana Dept. of Natural Resources
Jim AmRhein	Indiana Dept. of Natural Resources
Will Illingworth	Southern Triangle Oil Company
Ryan Bunnage	Southern Triangle Oil Company


16. As of the date of this Order, the Division of Oil and Gas was contacted by only one of the interest owners noted in Finding #6 above. Perry Sweppy Jr. communicated with the division by phone, prior to the informal hearing, to discuss the issues outlined in the petition. Mr. Sweppy did not participate in the informal hearing.

### **CONCLUSIONS OF LAW AND ORDER OF INTEGRATION**

1. IC 14-37-9 and any rules promulgated there under apply and are pertinent to the subject matter of the Application filed herein.
2. There has been full compliance with all notice requirements provided by law, and all interested parties have been afforded an opportunity to be heard.
3. The IDNR and the Division have jurisdiction to hear this matter and authority, as delegated by the Natural Resources Commission, to order the integration of interests in accordance with IC 14-37-9-1(b).
4. The Petition, herein referenced, contains the elements required by law.
5. The royalty interests held by in lands within the Scott Branch Unit described herein in Finding #6, located in the Section 27, Township 2 South, Range 12 West, Gibson County, Indiana, are hereby ordered to be integrated into the Scott Branch Unit as proposed by Applicant.
6. It is reasonable, fair, and equitable, as required by IC 14-37-9-2, that such division of interest in the Scott Branch Unit be accomplished so that unit operations may be conducted as if the unit area had been included in a single lease executed by all owners of oil and gas interests within said unit.

7. As provided in IC 14-37-9-2, the portion of the production allocated to the owner of any tract within the Scott Branch Unit shall be considered as if produced from a well drilled on that tract.
8. This order is a final administrative action of the IDNR and, as such, is subject to administrative review under IC 4-21.5-3-7 and may be placed of record by the Applicant in the appropriate public record of Gibson County, Indiana.

February 25, 2015  
Dated

  
\_\_\_\_\_  
Herschel L. McDivitt, Director  
Division of Oil and Gas

**DIVISION OF OIL AND GAS  
DEPARTMENT OF NATURAL RESOURCES**

**NOTICE OF ORDER OF INTEGRATION and  
NOTICE OF RIGHT TO APPEAL**

Interested persons are hereby notified that on February 25, 2015, the Indiana Department of Natural Resources, through the Director of the Division of Oil and Gas, issued an Order of Integration with respect to certain oil and gas drilling interests under Cause No. DOG-01-2015. The Order of Integration is based on a Petition for Integration of Interests previously filed by the Applicant, Southern Triangle Oil Company and on an Informal Hearing held in this matter on February 24, 2015, in Indianapolis, Indiana to consider the request for the integration of royalty interests for oil and gas underlying certain properties located in Section 27, Township 2 South, Range 12 West, Gibson County, Indiana held by Mary Ann Pell, Laura Benson Estate, Jacob M. Hirsch, Perry Sweppy, Jr., and Wiper Corporation.

A copy of the Order of Integration is available from the Division of Oil and Gas website at <http://www.in.gov/dnr/dnroil/3790.htm>.

The terms of the Order of Integration are subject to appeal and review under IC 4-21.5-3-7 in a hearing before an Administrative Law Judge. In order to qualify for administrative review, a person may file a request for review in writing stating facts that demonstrate the petitioner is:

- (A) a person to whom the order is specifically directed;
- (B) aggrieved or adversely affected by the order; or
- (C) entitled to review under any law.

In order to be timely, any petition for administrative review must be filed with the Division of Hearings, Natural Resources Commission, Division of Hearings, Indiana Government Center North, 100 North Senate Avenue, Room N501, Indianapolis, IN, 46204-2200 within eighteen (18) days after the date of this notice. If no petition for administrative review is filed within the stated time limit, all terms and conditions contained in the Order of Integration will become final and binding.

Date: February 25, 2015



Herschel L. McDivitt, Director  
Division of Oil and Gas